

Message Text

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NEA/ARP/GQLUMSDEN (INFO)

----- 075359

R 162347Z MAY 75

FM SECSTATE WASHDC

TO AMEMBASSY ABU DHABI

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E.O. 11652: N/A

TAGS: BTIO, TC

SUBJECT: DUBAI PORT PROJECT

REF: A) STATE 103185; B) ABU DHABI 0968

1. AS MENTIONED PARA 3, REF. A, CAGNE DISCUSSING SUBJECT PROJECT WITH OTHER COMPANIES. SO FAR NO ONE INTERESTED. FOR EMBASSY INFORMATION, SOME OF COMMENTS GIVEN BELOW.

2. A. AT PRESENT TIME, NEAR EAST IS SELLERS MARKET FOR PORT CONSTRUCTION WORK. LARGE NUMBER OF PROJECTS IN AREA COMBINED WITH OTHER FACTORS HAVE LEFT U.S. COMPANIES WITH SHORTAGE OF DREDGING EQUIPMENT AND SKILLED PERSONNEL.
B. U.S. CONSTRUCTION COMPANIES RELUCTANT TO BID TO EUROPEAN SPECIFICATIONS, AND ARE GENERALLY ADAMENT AGAINST IT WHEN TERMS ARE FIXED COST OR EVEN NOT TO EXCEED. EUROPEAN SPECS TEND TO BE VAGUE WHICH INCREASES POSSIBILITY OF COST OVERRUNS.
C. CONTRACT WHICH MUST BE FIXED COST OR WITH COST CEILING IS NOT CONSIDERED QUOTE NEGOTIATED UNQUOTE CONTRACT BY U.S. COMPANIES UNDER ANY CIRCUMSTANCES.
D. RISKS OF DOING BUSINESS IN NEAR EAST APPARENTLY CONSIDERED BY SOME TO BE HIGHER TAN RISKS INCURRED OTHER PARTS OF WORLD. THIS ADDS TO REASONS FOR NOT BIDDING

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FIXED COST.

E. EMBASSY GROUND WORK AND TREMENDOUS EFFORT ON THIS

PROJECT MUCH APPRECIATED. HOWEVER, SINCE THREE LARGE
CAPABLE COMPANIES - KAISER ENGINEERS, SANTA FE, RAYMOND
INTERNATIONAL - LOOKED INTO PROJECT AND TURNED IT DOWN
SEVERAL INDIVIDUALS ARE OF OPINION THAT TERMS OF CONTRACT
NOT AS FAVORABLE AS FIRST APPEAR. SO FAR, NO ONE HAS
TOLD CAGNE WHAT REAL PROBLEM IS.

3. EMBASSY WILL BE INFORMED OF ANY FURTHER INFO WHICH
BECOMES AVAILABLE. KISSINGER

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